

Mr. David Culpepper, Senior Reimbursement Analyst  
Paragon Health Network, Inc.  
One Ravinia Drive, Suite 1500  
Atlanta, Georgia 30346

Re: AC# 3-OKB-A5 - Grancare South Carolina, Inc. d/b/a Oakbrook Convalescent  
Center

Dear Mr. Culpepper:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period July 25, 1994 through January 31, 1995. That report was used to set the rate covering the contract periods beginning February 1, 1995 .

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA  
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll

**GRANCARE SOUTH CAROLINA, INC.  
d/b/a OAKBROOK CONVALESCENT CENTER**

**SUMMERVILLE, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING FEBRUARY 1, 1995  
AC# 3-OKB-A5**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 27, 1998

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Grancare South Carolina, Inc. d/b/a Oakbrook Convalescent Center, for the contract periods beginning February 1, 1995 and for the six month cost report period ended January 31, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Grancare South Carolina, Inc. d/b/a Oakbrook Convalescent Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Grancare South Carolina, Inc. d/b/a Oakbrook Convalescent Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
February 27, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA  
State Auditor

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
 Computation of Rate Change  
 For the Contract Periods  
 Beginning February 1, 1995  
 AC# 3-OKB-A5

	<u>02/01/95-</u> <u>03/31/95</u>	<u>04/01/95-</u> <u>09/30/95</u>	<u>10/01/95-</u> <u>03/31/96</u>	<u>04/01/96-</u> <u>09/30/96</u>
Interim reimbursement rate (1)	\$78.03	\$78.09	\$80.98	\$80.98
Adjusted reimbursement rate	<u>75.49</u>	<u>75.49</u>	<u>78.18</u>	<u>78.18</u>
Decrease in reimbursement rate	\$ <u>2.54</u>	\$ <u>2.60</u>	\$ <u>2.80</u>	\$ <u>2.80</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 1997

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period February 1, 1995 Through March 31, 1995  
 AC# 3-OKB-A5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$1.26	\$33.87	\$35.13	\$33.87
Dietary	<u>.61</u>	<u>7.87</u>	<u>8.77</u>	<u>7.87</u>
Subtotal	<u>\$1.87</u>	41.74	43.90	41.74
Laundry/Housekeeping/Maint.	\$ -	7.01	6.74	6.74
Administration & Med. Rec.	<u>-</u>	<u>9.30</u>	<u>7.35</u>	<u>7.35</u>
Subtotal	<u>\$ -</u>	58.05	<u>\$57.99</u>	55.83
<u>Costs Not Subject to Standards:</u>				
Utilities		1.67		1.67
Special Services		-		-
Medical Supplies & Oxy.		3.20		3.20
Taxes and Insurance		1.79		1.79
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$64.71</u>		62.49
Inflation Factor (4.50%)				2.81
Cost of Capital				8.14
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				1.87
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(.37)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$75.49</u>

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period April 1, 1995 Through September 30, 1995  
 AC# 3-OKB-A5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.64	\$33.87	\$37.76	\$33.87
Dietary	<u>.61</u>	<u>7.87</u>	<u>8.77</u>	<u>7.87</u>
Subtotal	<u>\$3.25</u>	41.74	46.53	41.74
Laundry/Housekeeping/Maint.	\$ -	7.01	6.74	6.74
Administration & Med. Rec.	<u>-</u>	<u>9.30</u>	<u>7.35</u>	<u>7.35</u>
Subtotal	<u>\$ -</u>	58.05	<u>\$60.62</u>	55.83
<u>Costs Not Subject to Standards:</u>				
Utilities		1.67		1.67
Special Services		-		-
Medical Supplies & Oxy.		3.20		3.20
Taxes and Insurance		1.79		1.79
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$64.71</u>		62.49
Inflation Factor (4.50%)				2.81
Cost of Capital				8.14
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				3.25
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(1.75)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$75.49</u>



**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 1995 Through March 31, 1996  
 AC# 3-OKB-A5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.64	\$34.22	\$37.75	\$34.22
Dietary	<u>.64</u>	<u>7.96</u>	<u>9.21</u>	<u>7.96</u>
Subtotal	<u>\$3.28</u>	42.18	46.96	42.18
Laundry/Housekeeping/Maint.	\$ .13	7.08	7.21	7.08
Administration & Med. Rec.	<u>-</u>	<u>9.39</u>	<u>8.37</u>	<u>8.37</u>
Subtotal	<u>\$ .13</u>	58.65	<u>\$62.54</u>	57.63
<u>Costs Not Subject to Standards:</u>				
Utilities		1.69		1.69
Special Services		-		-
Medical Supplies & Oxy.		3.23		3.23
Taxes and Insurance		1.81		1.81
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$65.38</u>		64.36
Inflation Factor (6.30%)				4.05
Cost of Capital				8.27
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.13
Cost Incentive - For Gen. Serv. & Dietary				3.28
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(1.91)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$78.18</u>

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period April 1, 1996 Through September 30, 1996  
 AC# 3-OKB-A5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.64	\$34.22	\$37.75	\$34.22
Dietary	<u>.64</u>	<u>7.96</u>	<u>9.21</u>	<u>7.96</u>
Subtotal	<u>\$3.28</u>	42.18	46.96	42.18
Laundry/Housekeeping/Maint.	\$ .13	7.08	7.21	7.08
Administration & Med. Rec.	<u>-</u>	<u>9.39</u>	<u>8.37</u>	<u>8.37</u>
Subtotal	<u>\$ .13</u>	58.65	<u>\$62.54</u>	57.63
<u>Costs Not Subject to Standards:</u>				
Utilities		1.69		1.69
Special Services		-		-
Medical Supplies & Oxy.		3.23		3.23
Taxes and Insurance		1.81		1.81
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$65.38</u>		64.36
Inflation Factor (6.30%)				4.05
Cost of Capital				8.27
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.13
Cost Incentive - For Gen. Serv. & Dietary				3.28
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(1.91)</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$78.18</u>

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended January 31, 1995  
 For the Contract Periods February 1, 1995 Through September 30, 1995  
 AC# 3-OKB-A5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$ 564,908	\$ 9,526 (7) 544 (7)	\$ 932 (4) 7,980 (8) 456 (8) 7,219 (9) 412 (9)	\$ 557,979
Dietary	130,920	1,149 (7)	963 (8) 1,394 (9)	129,712
Laundry	29,241	406 (7)	340 (8) 456 (9)	28,851
Housekeeping	42,969	599 (7)	502 (8) 509 (9)	42,557
Maintenance	43,296	461 (7) 990 (12)	386 (8) 353 (9)	44,008
Administration & Medical Records	179,110	1,209 (7) 425 (7)	950 (6) 1,013 (8) 356 (8) 852 (9) 404 (9) 24,061 (12)	153,108
Utilities	25,423	2,125 (12)	-	27,548
Special Services	-	-	-	-
Medical Supplies & Oxygen	71,016	-	18,327 (10)	52,689

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended January 31, 1995  
 For the Contract Periods February 1, 1995 Through September 30, 1995  
 AC# 3-OKB-A5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes & Insurance	24,333	5,313 (12)	168 (5)	29,478
Legal Fees	-	-	-	-
Cost of Capital	156,463	2,571 (3)	1,537 (1)	134,000
		<u>779 (13)</u>	<u>24,276 (2)</u>	
Subtotal	1,267,679	26,097	93,846	1,199,930
Ancillary	9,955	-	-	9,955
Non-Allowable	(4,466)	1,537 (1)	2,571 (3)	77,434
		24,276 (2)	779 (13)	
		932 (4)		
		950 (6)		
		11,996 (8)		
		11,599 (9)		
		18,327 (10)		
		<u>15,633 (12)</u>		
Total Operating Expenses	<u>\$1,273,168</u>	<u>\$111,347</u>	<u>\$97,196</u>	<u>\$1,287,319</u>
TOTAL PATIENT DAYS	<u>16,472</u>	<u>-</u>	<u>-</u>	<u>*16,472</u>

\*Adjusted to 98% occupancy

TOTAL BEDS 88

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended January 31, 1995  
 For the Contract Periods October 1, 1995 Through September 30, 1996  
 AC# 3-OKB-A5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 564,908	\$ 9,526 (7) 544 (7)	\$ 932 (4) 7,980 (8) 456 (8) 7,219 (9) 412 (9)	\$ 557,979
Dietary	130,920	1,149 (7)	963 (8) 1,394 (9)	129,712
Laundry	29,241	406 (7)	340 (8) 456 (9)	28,851
Housekeeping	42,969	599 (7)	502 (8) 509 (9)	42,557
Maintenance	43,296	461 (7) 990 (12)	386 (8) 353 (9)	44,008
Administration & Medical Records	179,110	1,209 (7) 425 (7)	950 (6) 1,013 (8) 356 (8) 852 (9) 404 (9) 24,061 (12)	153,108
Utilities	25,423	2,125 (12)	-	27,548
Special Services	-	-	-	-
Medical Supplies & Oxygen	73,567	-	18,327 (10) 2,551 (11)	52,689

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended January 31, 1995  
 For the Contract Periods October 1, 1995 Through September 30, 1996  
 AC# 3-OKB-A5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes & Insurance	24,333	5,313 (12)	168 (5)	29,478
Legal Fees	-	-	-	-
Cost of Capital	157,398	2,571 (3)	1,537 (1)	134,905
		749 (14)	24,276 (2)	
Subtotal	1,271,165	26,067	96,397	1,200,835
Ancillary	7,404	-	-	7,404
Non-Allowable	(5,401)	1,537 (1)	2,571 (3)	79,080
		24,276 (2)	749 (14)	
		932 (4)		
		950 (6)		
		11,996 (8)		
		11,599 (9)		
		18,327 (10)		
		2,551 (11)		
		15,633 (12)		
Total Operating Expenses	<u>\$1,273,168</u>	<u>\$113,868</u>	<u>\$99,717</u>	<u>\$1,287,319</u>
TOTAL PATIENT DAYS	<u>16,304</u>	<u>-</u>	<u>-</u>	<u>*16,304</u>

\*Adjusted to 97% occupancy

TOTAL BEDS 88

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
Adjustment Report  
Cost Report Period Ended January 31, 1995  
AC# 3-OKB-A5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 8,525	
	Other Equity	54,624	
	Nonallowable	1,537	
	Fixed Assets		\$ 63,149
	Cost of Capital		1,537
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	24,276	
	Cost of Capital		24,276
	To remove cost applicable to early debt extinguishment HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Loan Cost	5,808	
	Cost of Capital	2,571	
	Other Equity		5,808
	Nonallowable		2,571
	To adjust loan cost and related amortization to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	932	
	Nursing		932
	To reclassify physician fees to the proper cost center DH&HS Expense Crosswalk		
5	Accrued Property Taxes	168	
	Taxes and Insurance		168
	To adjust property taxes and related accrual to allowable HIM-15-1, Sections 2302.1 and 2304		
6	Nonallowable	950	
	Medical Records		950
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
Adjustment Report  
Cost Report Period Ended January 31, 1995  
AC# 3-OKB-A5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nursing	9,526	
	Restorative	544	
	Dietary	1,149	
	Laundry	406	
	Housekeeping	599	
	Maintenance	461	
	Administration	1,209	
	Medical Records	425	
	Accrued PTO		14,319
	To adjust PTO accrual to allowable HIM-15-1, Sections 2302.1 and 2304		
8	Nonallowable	11,996	
	Nursing		7,980
	Restorative		456
	Dietary		963
	Laundry		340
	Housekeeping		502
	Maintenance		386
	Administration		1,013
	Medical Records		356
	To adjust workers' compensation expense to allowable HIM-15-1, Section 2304		
9	Nonallowable	11,599	
	Nursing		7,219
	Restorative		412
	Dietary		1,394
	Laundry		456
	Housekeeping		509
	Maintenance		353
	Administration		852
	Medical Records		404
	To adjust group health insurance to allowable HIM-15-1, Section 2304		
10	Nonallowable	18,327	
	Medical Supplies		18,327
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		



**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
Adjustment Report  
Cost Report Period Ended January 31, 1995  
AC# 3-OKB-A5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nonallowable Medical Supplies	2,551	2,551
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304  (This adjustment applies only to the contract periods 10/1/95-9/30/96)		
12	Maintenance Utilities Taxes and Insurance Nonallowable Administration	990 2,125 5,313 15,633	24,061
	To adjust home office cost allocation to allowable HIM-15-1, Sections 2304 and 2150		
13	Cost of Capital Nonallowable	779	779
	To adjust cost of capital to allowable State Plan, Attachment 4.19D  (This adjustment applies only to the contract periods 2/1/95-9/30/95)		
14	Cost of Capital Nonallowable	749	749
	To adjust cost of capital to allowable State Plan, Attachment 4.19D  (This adjustment applies only to the contract periods 10/1/95-9/30/96)		
	TOTAL ADJUSTMENTS	<u>\$183,772</u>	<u>\$183,772</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended January 31, 1995  
 For the Contract Periods February 1, 1995 Through September 30, 1995  
 AC# 3-OKB-A5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.8981</u>
Deemed Asset Value (Per Bed)	29,644
Number of Beds	<u>88</u>
Deemed Asset Value	2,608,672
Improvements Since 1981	75,328
Accumulated Depreciation at 1/31/95	<u>(630,588)</u>
Deemed Depreciated Value	2,053,412
Market Rate of Return	<u>0.075</u>
Total Annual Return	154,006
Number of Days in Period	<u>191/365</u>
Adjusted Annual Return	80,589
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	80,589
Depreciation Expense	43,331
Amortization Expense	10,665
Capital Related Income Offsets	(585)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	134,000
Total Patient Days (Minimum 98% Occupancy)	<u>16,472</u>
Cost of Capital Per Diem	\$ <u><u>8.14</u></u>

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended January 31, 1995  
For the Contract Periods February 1, 1995 Through September 30, 1995  
AC# 3-OKB-A5

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 7.79
Adjustment for Maximum Increase	<u>3.83</u>
Maximum Cost of Capital Per Diem	<u>\$11.62</u>
Reimbursable Cost of Capital Per Diem	\$ 8.14
Cost of Capital Per Diem	<u>8.14</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

**GRANCARE SOUTH CAROLINA, INC.**  
**d/b/a OAKBROOK CONVALESCENT CENTER**  
 Cost of Capital Reimbursement Analysis  
 For the Cost Report Period Ended January 31, 1995  
 For the Contract Periods October 1, 1995 Through September 30, 1996  
 AC# 3-OKB-A5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>88</u>
Deemed Asset Value	2,718,232
Improvements Since 1981	75,328
Accumulated Depreciation at 1/31/95	<u>(630,588)</u>
Deemed Depreciated Value	2,162,972
Market Rate of Return	<u>0.072</u>
Total Annual Return	155,734
Number of Days in Period	<u>191/365</u>
Adjusted Annual Return	81,494
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	81,494
Depreciation Expense	43,331
Amortization Expense	10,665
Capital Related Income Offsets	(585)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	134,905
Total Patient Days (Minimum 97% Occupancy)	<u>16,304</u>
Cost of Capital Per Diem	\$ <u><u>8.27</u></u>

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Cost of Capital Reimbursement Analysis  
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AC# 3-OKB-A5

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 7.79
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>
Reimbursable Cost of Capital Per Diem	\$ 8.27
Cost of Capital Per Diem	<u>8.27</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>